

{As Prepared for Delivery}

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**Thomas C. Dorr
Under Secretary for Rural Development**

Thank you. It's a pleasure to be here today. It's always a pleasure to be back in Iowa.

I have to admit, however, that I'm a little surprised Sara Wyant asked me to come. As often as she's heard me talk on farm policy and opportunities in rural America, she could probably give this speech better than I can.

So Sara, I appreciate you being a sport -- and being willing to grin and bear it one more time. It is great to be here.

Let me begin -- on behalf of President Bush, Secretary Johanns, and a great team at USDA Rural Development -- by expressing my appreciation for what you do each and every day to make rural Iowa a better place to live, work, and raise a family.

I'm going to be talking a lot about government, farm policy, and USDA Rural Development because that's where I hang my hat these days.

But ultimately this isn't about us. The bottom line at USDA Rural Development is that we're here to support you.

We administer over 40 programs ranging from infrastructure to housing to business development.

In Iowa, the projects range from a child care center in Waverly – we did a loan/grant combination in 2004, and the facility went into operation last September ... to the Clinton County Bio Energy biodiesel plant Secretary Johanns announced yesterday ... to over 1,200 rural Iowa families that we helped purchase new homes last year.

That's just one of 19 biofuels loans and grants we've made since 2001 in Iowa alone [14 ethanol grants; 5 biodiesel] and that's just part of the over \$1.4 BILLION total we've invested in rural Iowa in that same period.

Nationally, in 2006 we will invest over \$17 billion in rural communities.

The total since 2001 exceeds \$63 billion invested and over 1.1 million jobs created or saved.

Summing it up, our mission is nothing less than to increase economic opportunity and improve the quality of life in rural communities -- and that's every bit as broad as it sounds. It is also a mission that has changed over time. Not too many years ago, you used to know us as the Rural Electrification Administration and Farmers Home.

But today, USDA Rural Development is an economic and community development organization. Increasingly, in fact, we function as a venture capital entity.

- **We recognize that sustainable development must be market driven, not program dependent.**
- **We want to be an investment banker for rural America, not a central planner or a lender of last resort.**

- We also understand that money is part -- but only part -- of that role. We can't pay for everything -- and we don't want to.

Rural America doesn't need artificial growth that withers and dies the moment the subsidy plug is pulled.

What it does need is strong businesses, healthy communities, and young families building the future. That implies private investment and community leadership. Again, we're here to support you.

- Last but not least, we have an unmatched delivery system of 800 local offices, and we intend to build on that asset. We think we can make smarter decisions by empowering our staff in the field than by making all the calls from inside the bubble in Washington, D.C.

So you don't have to come to D.C. to do business with us. Call the State Office in Des Moines, or drop by our offices in Iowa Falls or Indianola or Albia or Humboldt or six other locations around the State.

That's just a thumbnail sketch, but bottom line: we are going to invest about \$17 billion in rural America this year in everything from ethanol plants to affordable housing to rural hospitals to water treatment to broadband access. And the question for us – as it is for you – is:

- **Where are the opportunities?**
- **What should we be doing today as a lender and as an economic development agency to maximize the return for rural America?**

These are important questions, and the answers aren't always obvious.

The world is changing. And the change is, if anything, accelerating.

- **In a single lifetime, we've gone from farming behind a mule to gene splicing. We've seen incredible productivity increases.**
- **We've gone from over 6 million farms at the end of WWII to 2 ¼ million today. Of those, 175,000 produce most of our food and fiber.**

- **We've seen the hollowing out of farm towns and the depopulation of rural counties caught on the wrong side of technological change.**
- **On the other side of the ledger, we've seen the erosion of old barriers of time and space ... remarkable new possibilities unleashed by modern technology ... and the emergence of a new energy industry with unlimited potential.**

In fact, rural America includes many of the most dynamic, fastest growing counties in the country today.

- **Last but not least, due to globalization and connectivity, we see competition that our grandparents could never have imagined.**
 - **Since the fall of the Berlin Wall, between 2 and 3 BILLION people have joined the world market system. Many of them are formidable competitors. They will also be great customers if we can win their business.**

In sheer numerical terms, this is the greatest expansion of economic freedom and opportunity in human history. Of course it poses challenges. Competition always does.

But this is, in fact, what we fought the Cold War to achieve.

We've turned enemies into competitors and customers. This is a truly historic achievement.

- **At the same time, and as a result, we are on the leading edge of a new world in which every person is going to be connected -- more-or-less instantaneously -- with everyone else.**

We're going to be competing with everyone in the world with similar product and skills -- and the good news is, our potential customer base will be just as broad.

But ready or not, the changes are coming. The old saying was, "you can run but you can't hide." Today, with information flowing across the internet at the speed of light, we can't run anymore.

And we can't hide because globalization and connectivity are just as real in rural Iowa as they are in New York or Chicago or Phoenix. Brazil grows soybeans, China makes widgets, India writes software, and markets price competitively. We can't hide. Neither can anyone else.

Change is a double edged sword. It's a threat to those who aren't prepared. It brings opportunity to those who are. Our mission is to put rural America on the winning side of the change equation.

Just what that means is a big question, and we're working through it on several levels. Over the past year, to take one important example, USDA held a series of Farm Bill Forums to engage rural stakeholders in this discussion. Secretary Johanns talked about this yesterday. Obviously, the next Farm Bill is a work in progress.

I don't know what the President will propose and what Congress will do regarding -- for example -- the commodity support programs or the WTO.

But I have been walking around and kicking the tires on Farm Policy issues most of my life. And it's clear to me – whatever Congress eventually does on supply management, price supports, and trade -- that we are reaching a tipping point in agricultural and rural policy.

The basic fact is that agriculture is no longer the primary driver of the rural economy. Now don't misunderstand me here -- I'm a lifelong farmer and an advocate for producers.

But as the Under Secretary for Rural Development, I start with the recognition that 65 million people live in rural America -- and 63 million of them don't farm.

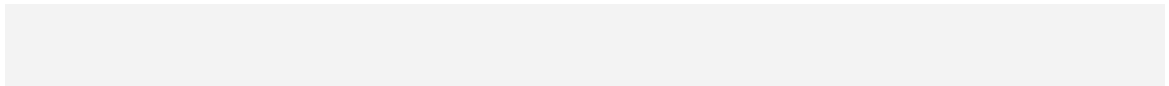
In fact, as a national average, 96% of the total rural income in America -- and about 90% of farm family income -- is from non-farm sources.

As the recent MAAPP Report, issued by a study group of the America Farm Bureau, put it: today “*farmers are more dependent on rural communities than rural communities are dependent on farmers.*”

- **What that means as a practical matter is that keeping the family farm in business depends on the availability of good jobs in town.**
- **Making farm life attractive depends on the availability of quality health care, good schools, fire protection, and rural water systems.**
- **And keeping farm families together depends on a rural economy that can offer opportunities and a future to your kids -- because chances are, most of them won't come home to farm.**

All of this requires a mental shift for policymakers, but it can't be ignored. While farming remains vitally important ... and while we want American agriculture to remain a world leader ... the engines of growth in the 21st century rural economy in fact lie elsewhere.

From a Rural Development standpoint, three things in particular stand out as transformative. These are connectivity or broadband, energy, and something that I call "place."



“Place” is my own term -- you may think of a better one -- for the quality of life considerations that attract so many of us to rural areas to live, work, and raise our families.

“Place” is peace and quiet, green fields, and fishable streams. It’s lower taxes and a lower cost of doing business. It’s affordable housing and a big yard for the kids. It’s the pace of life, low crime, and good schools.

These things are significant rural comparative advantages. I’ve never seen a real estate ad boasting about a tiny house, high taxes, noise, crime waves, a killer mortgage, and a three hour commute.

Rural communities that can provide good jobs, quality health care, and good schools are great places to live. Given the chance, people will vote with their feet. Our job is to help empower that choice by investing the infrastructure and business development that makes it possible.

Sometimes people ask me if I really want rural America to become a magnet for more people, businesses, and jobs. My answer is that if we

want a rural economy where our own kids can find good jobs, growth will come -- and we'd better start planning on how to make it work.

A second, related opportunity for rural communities arises from the communications revolution, especially broadband.

IT is producing the most radical decentralization of information in human history. We no longer need everyone in the same building so they can talk, or shuffle paper from desk to desk. Administrative structures, manufacturing, and distribution networks can be decentralized.

To a degree unprecedented in history, people are going to have choices about where to live and how to work. From a rural development perspective, this leverages "Place."

You can live locally and compete globally.

Broadband makes rural communities more competitive than they have been in generations. It opens the door to everything else. These things

don't change overnight, but the spatial organization of America is being reengineered ...

... And I am convinced, if we do our jobs right, that smaller cities, small towns, and rural areas have a very bright future in store.

Finally, rural America has a major new cash crop – energy. We've waited a long time for this. Energy has been a political football for 30 years.

But talk is cheap. If speeches and press releases produced energy, the energy crisis would have been solved long ago.

The barrier to renewable energy has been price, but \$60 per barrel oil changes the equation. Alternative energy is taking off – so much so that I don't call it “alternative” any more. It's mainstream.

- **U.S. ethanol production this year exceeded 4 billion gallons and it's growing fast. Biodiesel has soared from about 5 million gallons in 2001 to 25 million in 2004 to 75 million last year.**
- **U.S. wind power capacity by the end of last year reached 6,740 Megawatts with another 5,000 on the way.**
- **The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020. That's based on current growth rates, even before President Bush's new initiatives.**
- **At USDA Rural Development, we've invested nearly \$290 million in renewable energy since 2001 -- everything from digesters to biofuels to wind and solar. It's a top priority for 2006 as well.**

This is an enormous new opportunity for investment and wealth creation in rural America. It means investment, good jobs, careers for young people, and the recirculation of capital through rural communities across the nation.

And it's a key goal for us to develop new business and investment models that allow and encourage rural America to take full advantage of this historic opportunity for wealth creation and economic growth.

To sum up, I am an incurable optimist about the future of rural America. I am an optimist about energy from agriculture. I am an optimist about the decentralizing implications of IT. I am an optimist about the attractions of the rural quality of life. This is a powerful combination. With leadership, determination, and hard work, it's a winning hand for rural America in the next generation.

Yes, we face challenges. Standing still isn't an option, not in an era of globalization and connectivity-driven competitiveness. But our opportunities are even greater than our challenges, if we have the vision and the will to pursue them.

I am confident that we will, and I look forward to working with you to get the job done. Thank you.